

ANNUAL REPORTS, WAR DEPARTMENT

FISCAL YEAR ENDED JUNE 30, 1908

REPORT OF THE
CHIEF OF THE BUREAU OF
INSULAR AFFAIRS

TO THE SECRETARY OF WAR

1908



WASHINGTON
GOVERNMENT PRINTING OFFICE
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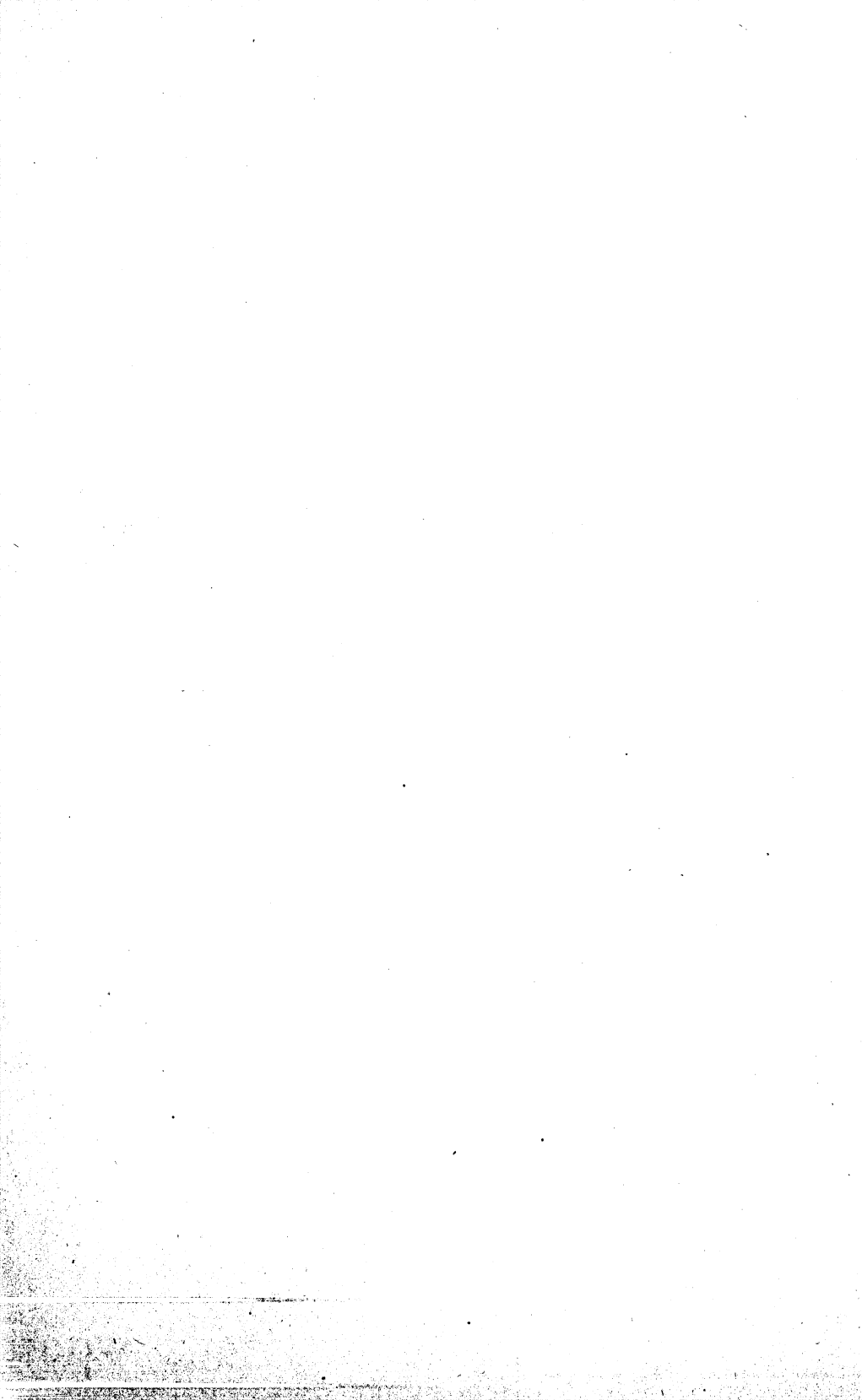
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U.S. Bureau of insular affairs

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**REPORT OF THE CHIEF OF THE BUREAU OF INSULAR
AFFAIRS TO THE SECRETARY OF WAR.**



REPORT

OF THE

CHIEF OF THE BUREAU OF INSULAR AFFAIRS

TO THE
SECRETARY OF WAR.

WAR DEPARTMENT,
BUREAU OF INSULAR AFFAIRS,
Washington, October 31, 1908.

SIR: I have the honor to submit the following report of the Bureau of Insular Affairs for the past year:

LEGISLATION ENACTED BY THE SIXTIETH CONGRESS, FIRST SESSION.

SHIPPING.

By the act of March 8, 1902, Congress provided for suspension of the application of the coastwise laws of the United States to the Philippine Islands until July 1, 1904. By subsequent enactments of April 15, 1904, and April 30, 1906, application of these laws to the Philippines was further postponed to July 1, 1906, and April 11, 1909, respectively. Finally, during the last session of Congress, this temporary suspension was made permanent by the following act:

AN ACT To repeal an act approved April thirtieth, nineteen hundred and six, entitled "An act to regulate shipping in trade between ports of the United States and ports or places in the Philippine Archipelago, between ports or places in the Philippine Archipelago, and for other purposes," and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That until Congress shall have authorized the registry as vessels of the United States of vessels owned in the Philippine Islands, the government of the Philippine Islands is hereby authorized to adopt, from time to time, and enforce regulations governing the transportation of merchandise and passengers between ports or places in the Philippine Archipelago.

SEC. 2. That on and after the passage of this act the same tonnage taxes shall be levied, collected, and paid upon all foreign vessels coming into the United States from the Philippine Islands which are required by law to be levied, collected, and paid upon vessels coming into the United States from foreign countries.

SEC. 3. That the provisions of law restricting to vessels of the United States the transportation of passengers and merchandise directly or indirectly from one port of the United States to another port of the United States shall not be applicable to foreign vessels engaging in trade between the Philippine Islands and the United States.

SEC. 4. That the Philippine Commission shall be authorized and empowered to issue licenses to engage in lightering or other exclusively harbor business to vessels or other craft actually engaged in such business at the date of the passage of this act and to vessels or other craft built in the Philippine Islands or in the United States and owned by citizens of the United States or by inhabitants of the Philippine Islands.

SEC. 5. That such of the navigation laws of the United States as are in force in the Philippine Islands in regard to vessels arriving in the Philippine Islands from the

mainland territory and other insular possessions of the United States shall continue to be administered by the proper officials of the government of the Philippine Islands.

SEC. 6. That the act entitled "An act to regulate shipping in trade between ports of the United States and ports or places in the Philippine Islands, between ports or places in the Philippine Islands, and for other purposes," approved April thirtieth, nineteen hundred and six, and all laws and parts of laws in conflict with the provisions of this act, are hereby repealed.

Approved, April 29, 1908.

In this act no new legislation was embodied beyond that contained in section 3, excepting, as indicated, the Philippines from the coastwise laws of the United States. The necessity of this legislation was set forth regularly for a number of years in the annual reports of the Secretary of War, the Chief of the Bureau of Insular Affairs, and the Philippine Commission, and in the hearings before the committees of both Houses of Congress. The application of the coastwise laws to the Philippines would have restricted to vessels of the United States all transportation of freight and passengers between the United States and the islands—a restriction that, if put into effect, must have worked serious injury to commercial and industrial interests both in the Philippines and in the United States. The prior acts, providing for the temporary suspension of these laws, did not seem to take into account that freight and passengers between United States and Philippine ports could not be transported wholly in American bottoms without substantial increase in the number of American vessels available for this trade, or that such increase within any reasonable time under present conditions was unlikely. As matters of fact, notwithstanding the notice to American shipping interests through the acts of 1902, 1904, and 1906, only a fraction more than 7 per cent of the value of the products of the Philippines coming to the United States during the fiscal year ended June 30, 1908, was carried in American bottoms, and of the 366 steam vessels clearing with cargo from Manila during the same period only 13 were American. Nothing further appears necessary to establish the wisdom of this legislation.

PHILIPPINE SCOUTS.

The Philippine Scouts are by law a part of the Regular Army of the United States, and as such do not come within the administrative control of this bureau. Nevertheless, as an important factor in the education of the Filipino people and in the creation of a higher standard of living in the islands, as well as in the extension of American influence, they fall under its direct concern.

Captains of scout companies.—For this reason the provision made by Congress during its last session for the promotion of officers of scout companies to include the grade of captain is a source of both interest and satisfaction to the bureau.

Filipino cadets at the Military Academy.—In the same connection the provision contained in the act of May 28, 1908, for the support of the United States Military Academy, authorizing the designation by the Philippine Commission of one Filipino cadet for each class at the Academy was not only a measure in which the Bureau was more directly interested, but the enactment of which it urged in every proper way. Under the law such Filipinos both at entrance and while at the Academy will stand on the same footing in every way as cadets appointed from the United States; but on graduation they will be eligible only for commissions in the Philippine Scouts. No appointments have as yet been made under this authority, but it is

expected that one will be designated in time to enter at West Point with the next fourth class.

A bill of similar tenor, authorizing the appointment of five Filipinos to receive instruction at the United States Naval Academy, was also introduced in Congress during the last session, but further than reference to the Committee on Naval Affairs received no action.

PHILIPPINE COMMISSION.

On the earnest recommendation of the Secretary of War Congress provided in the act of May 11, 1908, for the increase of the Philippine Commission from eight to nine members, and for the creation of a new executive department. For several years previously the commission had consisted of the governor-general, four American members presiding over executive departments, and three Filipino members without portfolios, but sharing in the legislative duties of the commission. Under the new law five members still constitute a quorum as before and with the additional member a quorum is more readily obtainable and the embarrassment that has sometimes arisen due to the impossibility of securing the presence of sufficient members for the transaction of business rendered less likely of occurrence in the future. The absence of members from Manila is at times unavoidable. For the proper discharge of their duties and for the better understanding of local conditions it is frequently necessary for them to visit parts of the archipelago remote from the capital. Under present conditions journeys of this character may require six weeks or more for completion, which, with absence caused by illness or by authorized leave, has been sufficient at times to interfere with the proper conduct of public affairs.

The new executive department authorized by the law has not yet been created, but the first step in the direction contemplated by Congress was taken on July 1, 1908, when Mr. Gregorio Araneta, attorney-general of the Philippine Islands, was appointed to the existing departmental vacancy as secretary of finance and justice. Two legislative vacancies in the commission have also been filled by the appointment of Judge Newton W. Gilbert, of Indiana, and of Mr. Rafael Palma, of the Philippine Islands.

CATHOLIC CHURCH CLAIMS.

By an act approved March 26, 1908, Congress appropriated \$403,030.19, payable to the representative of the Roman Catholic Church in the Philippine Islands, the Archbishop of Manila, as trustee, in full satisfaction of all claims arising out of the use of church property by the troops of the United States during and following the war with Spain and the Philippine insurrection. These were claims of the Catholic Church proper and bore no relation to the problem of the "friars' lands," already satisfactorily solved by the purchase of the lands of the religious orders by the Philippine government. The claims in this case arose out of the occupation of church buildings by the United States forces during and following active military operations throughout the islands, and covered both the rent of the property while occupied and the damage resulting from such occupancy.

This appropriation was based upon the recommendations of a board composed of officers of the Army convened at Manila August

1, 1905, and known as the board on church claims. Under rules laid down by the Secretary of War, June 12, 1905, this board made an exhaustive investigation, continuing for the better part of six months, of all the claims in question. It examined many witnesses under oath, and its members visited numerous towns where buildings involved were situated in order to determine the value of the property and the amount of damage due to occupation by United States troops. The claims presented to the board amounted in total to \$2,442,963.13 and the award recommended was \$363,030.19, with a further conditional recommendation of a payment of \$40,000 for the spoliation and loss of sacred ornaments, images, and vestments, provided that Congress should, as a matter of equity, desire to render such compensation to the church. After a full hearing before the committees of both Houses, where all the witnesses examined were united and positive in the opinion that the recommendations of the board were conservative, Congress approved of the awards as recommended and provided for the appropriation as indicated. Payment has been made to the representative of the church and the claims, so far as the Government is concerned, are settled.

PHILIPPINE EXHIBIT AT ALASKA-YUKON-PACIFIC EXPOSITION.

Through the sundry civil act approved May 27, 1908, Congress authorized and directed the Secretary of War to aid the people of the Philippine Islands in providing and maintaining an appropriate and creditable exhibit of the resources and products of those islands at the Alaska-Yukon-Pacific Exposition to be held at Seattle, Wash., in 1909, and for this purpose provided for an appropriation of not to exceed \$25,000.

PENDING LEGISLATION.

REDUCTION OF DUTIES.

On the opening day of the Sixtieth Congress a bill was introduced providing for free entry into the United States of Philippine products, excepting, for the present, sugar, tobacco, and rice, on which, under the proposed measure, 25 per cent of the United States tariff duty would be collected, and providing for free entry of United States products into the Philippine Islands, and for free trade between the United States and the Philippine Islands, without exceptions, after April 11, 1909. This bill is identical with the bill introduced at the first session of the Fifty-ninth Congress, and the merits of which, as well as the effect of the United States tariff on Philippine sugar and tobacco, have been covered in previous reports. In view of the fact that all interests involved in the proposed legislation had already received consideration, no congressional hearings were had during the last session. Adjournment was reached without action on this bill.

So confident are the friends of the measure in the belief that it can not injure similar interests in this country, that they are entirely agreeable to the inclusion of a clause limiting the amount of Philippine sugar to be admitted under its provisions to 400,000 tons annually. This, the sugar people here admit, could not injuriously affect their interests, while it would, nevertheless, be sufficient to restore some of the former prosperity to the sugar interests in the islands and to develop those provinces where sugar has been produced for many

years and where the depression in its production now affects the prosperity of the whole archipelago.

The United States now receives about one-fourth of 1 per cent of the cigars exported from the Philippine Islands, but if the entire product were received here, it would form only a little over 1 per cent of the total consumption. There has been a fairly regular increase of over 2 per cent annually in the number of cigars consumed in the United States, and the entire Philippine production could supply this natural increase for only about five months. But even if there were absolutely free admission of the Filipino-made cigars only a comparatively small proportion of those produced would seek the American market. The greater number of the cigars made in the Philippines are of inferior quality and would not find purchasers here, while many of the better grades would still continue to go to other countries, since comparatively few people here have acquired a taste for them. Any increased demand, therefore, would be a matter of gradual growth, but a reduction of the present duties would afford the moral encouragement of which producers in the islands now stand so seriously in need.

The other principal products of the Philippine Islands, hemp, copra, and rice, have the advantages over sugar of not requiring such enormous capital for development and of not entering into competition with interests of this country.

PHILIPPINE TARIFF.

In accordance with the recommendations of the Philippine Commission a bill was introduced during the last session providing for the following changes in the Philippine tariff act of March 3, 1905:

First. To reduce the duty on silvered copper foil, largely used in the packing of buttons, from \$2 to 50 cents per kilo (2.2046 pounds), net weight, subject to a minimum charge of 25 per cent ad valorem; to increase the rate on buttons of bone, porcelain, composition, and similar materials from 20 to 30 cents per kilo, and to increase the rate on mother-of-pearl buttons from \$1 to \$1.30, subject to a minimum rate of 50 per cent ad valorem. The present specific rate on silvered copper foil is equivalent to approximately 140 per cent ad valorem, which is abnormal. The Philippines are a large producer of mother-of-pearl shells, which heretofore have been exported to other countries, manufactured and shipped back to the Philippine Islands. Several years ago a number of Filipinos started a factory where about 100 hands are employed for the manufacture of these shells into buttons, and it was to protect this infant industry and to encourage others along other lines that this bill was introduced. These buttons have been manufactured at a distinct loss for several years.

Second. To put on the free list agricultural machinery and implements, machinery and apparatus for making or repairing roads, steam and other motor plows, and all materials for exclusive use in construction or repair, in the Philippine Islands, of vessels of all kinds. Practically all of these articles are purchased in the United States. On agricultural machinery the present customs duty is only 5 per cent, and is a tax for revenue only. The only objection, therefore, to the removal of the duties would be the loss of revenue to the insular government, but the advantages which would accrue to the islands through the additional facilities and stimulus

which would be given to agriculture outweigh the loss of revenue involved. The last provision is intended to put the local shipyards in better position to compete with the yards in Hongkong, where all materials are entered free of duty, and to encourage the establishment of shipbuilding and ship-repairing concerns in the islands.

Third. To reduce the rate on machinery and apparatus for mining and the reduction and smelting of ores from the present rate of 10 to 20 per cent, according to the component materials, to a flat rate of 5 per cent ad valorem. About 90 per cent of this machinery comes from the United States at present, and this change is desired to encourage the development of the mineral resources of the islands.

Fourth. A minor change is included under the paragraph covering whiskey, rum, gin, and brandy, in effect that each and every gauge or wine liter of measurement shall be counted as at least one proof liter. This simply conforms to the internal-revenue laws and tariff of the United States, and while it has the effect of slightly increasing the tariff this is incidental and not for the purpose of protecting any industry.

Fifth. A provision is included permitting invoices of merchandise shipped from the United States to the Philippines to be sworn to before a notary public. The present law requires such oaths executed "before a United States commissioner, collector of customs, or deputy collector of customs." In many of the inland cities of the United States there is none of the last-named officials, and the merchants at those places can not readily meet this requirement. This addition, therefore, would do much to relieve a situation seriously complained of by our merchants.

These changes have all been recommended by the Philippine Commission, the insular collector of customs, the Secretary of War, and the two Resident Commissioners of the Philippine Islands in Washington. The bill was favorably reported upon by the House Committee on Ways and Means and passed by the House of Representatives. It is still pending before the Senate Committee on the Philippines, to which it was referred on May 28, two days before the close of the last session.

PHILIPPINE LEGISLATURE.

In the last annual report of this bureau reference was made to the opening of the first Philippine Assembly by the Secretary of War on October 16, 1907. The Assembly and the Philippine Commission now form, respectively, the lower and upper houses of the legislative branch of the Philippine government, known as the Philippine Legislature. In accordance with the organic law providing for the Assembly, the Legislature duly elected as the two Resident Commissioners to the United States Messrs. Benito Legarda and Pablo Ocampo, and the House of Representatives, by appropriate resolution, extended to them the privileges of the floor with the right of debate, as well as the same rights as Members in the allotment of rooms in the House office building.

It is perhaps worthy of note that the first bill passed by the Philippine Legislature was an act appropriating 1,000,000 pesos for the construction of municipal school buildings, 50 per cent of the cost ~~to be~~ to be contributed by the municipality.

RAILROADS.

Encouraging progress has been made in the building of the new railway lines, for which concessions were granted, as shown in previous reports of this bureau, and as far as completed they are reported to be well constructed and well adapted to local conditions. The completion of this work should mean a new impetus to agriculture, increased export possibilities, and substantial elevation of the material and social condition of the people.

In the Orient two-thirds of the income from railways is usually from passenger traffic, but as the railroads in this case will directly affect the exports of agricultural products and quicken all the nerves of trade and manufacture, a steady increase in freight receipts is to be looked for from the date of first operation. The passenger outlook is exceptionally bright. Out of the 14 provinces through which the roads will pass in Luzon the 10 provinces with the greatest prospective mileage have a density of population ranging from 334 to 112 and averaging over 212 per square mile, and have an aggregate population of 2,270,621, which is nearly one-third of the entire population of the archipelago.

In the three Visayan islands—Cebu, Panay, and Negros—in which railroads are to be constructed, the density of population is, respectively, 336, 161, and 94, or an average of 197, while the total population amounts to 1,796,669. The average density of population of Cebu (336) is greater than that of Japan, Italy, Germany, or France; the density of Panay (161) is about equal to that of British India, Portugal, or Denmark, and the density of Negros (the most sparsely populated, with 94) is about the same as that of Spain. The density of population in the United States is about 26, and the four States having the greatest density are Rhode Island, 407; Massachusetts, 348.9; Connecticut, 187.5, and New York, 152.6. These figures speak for themselves and the future of the railways seems assured. No reason appears why the Visayan lines should not pay a fair interest on the investment above the 4 per cent guaranteed by the Philippine government, for outside of the possible passenger business they should develop an increasing freight traffic from the fertile agricultural country through which they pass, and which, up to the present, may be said to have hardly been touched. There is no guaranty on the lines in Luzon.

The progress of railroad construction in each island is as follows:

LUZON.

The following table shows the length of the new lines constructed and in operation June 30, 1908:

| Line. | Miles. | Line. | Miles. |
|--|--------|---|--------|
| Dagupan-San Fernando Unión..... | 14.004 | Double main track of Belt Line..... | 1.804 |
| Baguio-San Fabian..... | 12.042 | Cavite Short Line..... | 20.000 |
| Paniqui-Tayug..... | 9.296 | Paniqui-Camiling..... | 12.427 |
| Dau-Magalang..... | 5.654 | Pasig-Montalban (about)..... | 24 |
| San Fernando-Florida Blanca..... | 15.236 | Bigaa-Cabanatuan..... | 25.324 |
| Batangas Line (from Center Paco station platform)..... | 12.954 | Manila-Antipolo (nearly completed)..... | 15.300 |
| Belt Line (to Center Paco station platform)..... | 5.899 | Dact-Mercedas..... | 13.300 |

In addition to the foregoing there have been constructed since June 30 on the Batangas line $4\frac{1}{2}$ miles, and on the line to San Fernando Unión about 5 miles, while it was confidently reported that by November 1 the Antipolo line would be completed. Recent reports state also that it is expected that trains will be running on the Batangas line as far as Calamba by the middle of November. The completion of the remaining mileage of the proposed lines contracted for under the concessionary act is being pushed as rapidly as possible consistent with the conditions to be met.

PANAY.

The first 20-mile section, extending from Iloilo north to Pototan, was opened for construction operation in March, 1908. Track laying on the second 20-mile section has reached the Jalaur River at Passi, mile 33. Grading is proceeding from that point north toward Capiz, the northern terminus, and it is expected that the second 20-mile section will be ready for construction operation in December. On the first section 85 per cent of the masonry is completed, on the second section 20 per cent, and the steel bridges for both sections are on the island. Seventy-five per cent of the work has been done on the shops, sheds, storehouses, and the terminal buildings at Iloilo, and the station buildings between Iloilo and Dueñas (mile 29) are 90 per cent completed.

Passenger equipment for Panay, consisting of 2 combination parlor and first-class cars, 2 combination baggage and second-class cars, and 9 second-class cars, was placed in service on July 1, 1908.

A conservative estimate based upon the exports and imports and local business, as compared with the operated line in Luzon, gives assurance of a net revenue of at least 5 per cent, or 1 per cent above the governmental guaranty, upon the cost of construction at the beginning of operation, and nowhere in the islands is the future growth and development of traffic more promising.

CEBU.

The main line, extending from Danao south through Cebu and Carcar to Argao, was preliminarily completed and placed in construction operation in May, making a total of 59.4 miles of continuous track on this island. Ninety per cent of the masonry work is completed and 90 per cent of the steel bridges erected, with the exception of two additional spans ordered for the Argao River. Ninety-five per cent of all the buildings on Cebu is completed.

Passenger equipment for Cebu, consisting of 2 combination parlor and first-class cars, 2 combination baggage and second-class cars, and 9 second-class cars, was placed in service on June 20, 1908.

BENGUET.

Benguet is a province in northern Luzon, lying in the mountain ranges just east of the west coast. It is a plateau of more than 5,000 feet elevation, a country of pine trees and grass, where the temperature, never rising above 80° and never falling below 40° F., gives to it the invigorating atmosphere of the Adirondacks without their extremes of heat and cold. It is the most healthful location

in the islands. Baguio, its capital, is now used also as the "summer capital" of the islands to enable officials, both Filipino and American, to escape the heated season in Manila and to recuperate from the strain and ailments of the lower Tropics.

A railroad now reaches from Manila to Camp No. 1, in the Bued River Canyon, about 22 miles from Baguio. The Philippine Commission has built a fine macadamized road from this point to Baguio, to meet the immediate demands of traffic of carts, wagons, carriages, and automobiles. Authority has been given to extend the railroad to Baguio and bids have been requested for this purpose, but thus far without result, despite the inducement held out in the offer of the use of the highway as a roadbed, which would materially reduce the expense of construction.

Ground is now being sold there for schools and churches and for private residences to Filipinos and Americans. There has been reserved for military purposes a tract of land sufficient for quarters, drill ground, and adjuncts of a full brigade. The only expense would be for barracks and quarters. A hospital has already been built, together with quarters for a small detachment and a number of officers. Reports submitted by medical officers of the hospital show cures of diseases that do not respond readily to treatment in the United States. The value of a station there where every regiment in the Philippines might be sent from time to time for recuperation can hardly be overestimated. It would save lives and would save money. If Congress, to provide such a post, would make a suitable appropriation, to become available only upon completion of a railroad, it would not only serve both the interests of economy and efficiency, but would assure this extension, since the traffic incident to the maintenance of even a regiment there would doubtless be sufficient to pay operating expenses.

MINDANAO.

Recommendation has already been made from your office for an appropriation by Congress for the construction of an electric or other railway from Camp Overton, on the north shore of Mindanao, to Camp Keithley, on Lake Lanao, in the center of the Moro country. Camp Keithley is the most important post strategically in the whole Moro Province, and must always be maintained. It is 25 miles from Camp Overton, from where all its supplies have now to be hauled by wagon. It has been estimated that a steam or electric railway could be built and equipped for what it will cost under present conditions to transport supplies for three years. Once such a railroad were in operation, of course the cost of troops at Camp Keithley would be materially reduced. Camp Keithley is 3,000 feet above the sea, a very healthful post, and if made more accessible by a railway its importance will be materially increased.

AGRICULTURAL BANK.

In the last annual report of this bureau there was given in full the text of the act of Congress approved March 4, 1907, providing for the establishment of an agricultural bank in the Philippine Islands, for which legislation the necessity had been well set forth in preceding reports of the Philippine Commission and in several hearings before congressional committees. Private capital having hemi-

tated, however, to enter upon this enterprise, and its necessity becoming still more apparent, the Philippine government determined itself to carry into effect the intent of the act of Congress indicated. During the first session of the Philippine Legislature a resolution enacted February 12, 1908, was passed, providing for a mixed commission to prepare a plan of organization of an agricultural bank, with a capital of 1,000,000 pesos; and based upon the favorable opinion of the Attorney-General of the United States, dated April 16, 1908, covering the legality of the proposed action, an enactment of the Philippine Legislature, passed June 18, 1908, established the agricultural bank of the Philippine government and appropriated 1,000,000 pesos out of general funds as its capital.

Loans under this act are limited to between 50 and 25,000 pesos, and the administrative control of the institution and its means and methods of conducting business are plainly fixed in the interests of all concerned and wisely safeguarded by the law.

Under date of October 9, 1908, a cablegram from Manila stated that the bank had begun operations, and that the first loan had been made to an American farmer of Tarlac Province. It seems beyond question that this bank will prove an important factor in the restoration and promotion of agriculture in the Philippine Islands.

POSTAL SAVINGS BANK.

The transactions of the postal savings bank, which began operations in the Philippines as a part of the bureau of posts October, 1906, show a steady increase of business for the past fiscal year and indicate that the institution is well received by all classes.

On June 30, 1908, there were in operation 12 first-class, 106 second-class, and 127 third-class branches, or a total of 245, with net deposits aggregating 1,031,994.04 pesos, covering 5,389 open accounts. This is a net increase of 3,058 accounts, or 56.7 per cent, over the fiscal year 1907. Up to the end of this fiscal year the bank had been patronized by a total of 7,346 depositors since beginning operation, October 1, 1906, as compared with 2,676 at the end of 1907. A classification of depositors by nationality shows 3,725 (50.71 per cent) Americans, 3,294 (44.84 per cent) Filipinos, 132 Europeans, 151 Asiatics, and 44 societies. The separate deposits range from a few centavos to over 5,000 pesos. An increase is noted of nearly 10 per cent over the previous year in the number of Filipino depositors, tending to demonstrate that the institution is gaining the favor and confidence of the Filipino people. This is to be regarded as an encouraging sign, as the bank was established primarily for the benefit of the Filipinos, and the ultimate success of the venture must necessarily depend upon their patronage.

PAPER CURRENCY.

My last annual report showed that paper currency to the amount of 47,000,000 pesos had been shipped to the Philippines. During the past fiscal year there were prepared at the Bureau of Engraving and Printing of the Treasury and forwarded to Manila 1,000,000 pesos in 2-peso notes and 3,000,000 pesos in 500-peso notes. The cost of the 4,000,000 pesos was \$5,831.96, and the expense of shipment \$70.19, a total of \$5,902.15.

Amounts and denominations of paper currency sent to the Philippines to June 30, 1908, were:

| | |
|----------------|------------|
| 2-pesos..... | P9,000,000 |
| 5-pesos..... | 6,000,000 |
| 10-pesos..... | 16,000,000 |
| 20-pesos..... | 6,000,000 |
| 50-pesos..... | 4,000,000 |
| 100-pesos..... | 4,000,000 |
| 500-pesos..... | 6,000,000 |
| | <hr/> |
| | 51,000,000 |

On June 30, 1908, there were in circulation 18,883,699 pesos of notes of the insular government secured by a reserve fund in the treasury of 10,083,699 pesos of Philippine silver and \$4,400,000 of United States gold.

SILVER COINAGE.

As authorized by the act of Congress approved June 23, 1906, 15,905,000 pesos in Philippine coinage were shipped to the San Francisco mint during the fiscal year for recoinage in accord with the new standard of weight and fineness. To June 30, 1908, 23,905,000 pesos of Philippine coins had been returned to the mint for recoinage, leaving 9,840,501 pesos of the old coins in the islands.

From recoinage and from coinage of 482,732.73 ounces of bullion purchased there were delivered by the San Francisco mint during the fiscal year (including shipment on transport sailed July 5, 1907) 18,120,000 pesos of new Philippine coins, making the total shipments to June 30, 1907, from San Francisco and from Philadelphia:

| | |
|------------------|-------------|
| Pesos..... | P21,657,000 |
| 50-centavos..... | 2,151,000 |
| 20-centavos..... | 1,046,000 |
| 10-centavos..... | 803,000 |
| | <hr/> |
| | 25,657,000 |

Since on June 30, 1908, there had been shipped to the San Francisco mint 23,905,000 pesos of the old coins which should make 36,231,353 pesos of the new, and since the deliveries of new coins to that date, exclusive of 3,000,000 pesos minted from bullion purchased, amounted to 22,657,000 pesos, the Philippine government had on June 30, 1908, in the San Francisco mint or in transit thereto sufficient of the old coins to produce 13,574,353 pesos of the new. When the recoinage is completed, the Philippines will have, from this source and from bullion purchased, a silver circulation of approximately 54,000,000 pesos.

There were paid during the year in connection with Philippine coinage the following charges:

| | |
|----------------------------------|--------------|
| For bullion purchased..... | \$295,054.78 |
| For insurance: | |
| On incoming shipments coins..... | \$8,666.04 |
| On outgoing shipments coins..... | 7,609.48 |
| | <hr/> |
| | 16,275.52 |
| For cartage: | |
| On incoming shipments coins..... | \$539.83 |
| On outgoing shipments coins..... | 460.30 |
| | <hr/> |
| | 1,000.13 |
| For coinage charges..... | 208,187.68 |
| For miscellaneous expenses..... | 1,573.38 |
| | <hr/> |
| Total..... | 517,091.49 |

DEPOSITARIES.

In addition to the depositaries of the Philippine government named in my last annual report, Speyer & Co., of New York City, were designated by the Secretary of War, in March, 1908, as an authorized depositary in the United States for funds of the Philippine government. The total deposits of the treasurer of the Philippine Islands with banks in the United States on June 30, 1908, amounted to \$8,034,602.94, as against \$13,061,095.86 June 30, 1907. On June 30, 1908, these deposits were secured by \$5,875,000 of negotiable securities and \$5,000,000 of surety bonds. This arrangement is in accordance with instructions from your office authorizing one-half of the security for deposits to be in negotiable securities.

STAMPS.

During the fiscal year there were prepared by the Bureau of Engraving and Printing and forwarded to Manila the following Philippine postage stamps:

| | Stamps. |
|-----------------|-----------|
| 2-centavo..... | 4,000,000 |
| 8-centavo..... | 135,000 |
| 20-centavo..... | 300,000 |
| 26-centavo..... | 114,000 |
| 30-centavo..... | 200,000 |
| Total..... | 4,749,000 |

BONDED INDEBTEDNESS.

Since my last annual report the bonded indebtedness of the Philippines has not changed, standing June 30, 1908, as follows:

| | Amount. | Redeemable. | Due. |
|---|-------------|-------------|------|
| Land-purchase bonds, 4 per cent..... | \$7,000,000 | 1914 | 1934 |
| Public works and improvement bonds, 4 per cent..... | 2,500,000 | 1915 | 1935 |
| Do..... | 1,000,000 | 1916 | 1936 |
| City of Manila sewer and water bonds, 4 per cent..... | 1,000,000 | 1915 | 1935 |
| Do..... | 2,000,000 | 1917 | 1937 |

PURCHASE OF SUPPLIES.

During the fiscal year the bureau received from the Philippines 920 requisitions by mail and 110 by cable, an increase over the preceding year of 308 and 37, respectively. There was disbursed by the bureau for supplies bought for the Philippines and for expenses of shipment, etc., \$606,595.89. In addition to actual purchases, the bureau obtains many quotations for the Philippine government to protect it in purchasing in the Manila market. Purchases are made and quotations obtained through the agency maintained in the Whitehall Building, New York City, under the system which has been detailed in previous reports. The personnel of the New York office consists of a purchasing agent and five clerks.

Whenever practicable orders for supplies are placed with firms on the Pacific coast and forwarded to Manila on army transports. The Quartermaster's Department of the Army has ever shown a willingness to assist the bureau in the purchase of supplies in instances where such services could be more readily or advantageously performed by that department than by the New York office, and the

courtesies thus extended have been of much value to the bureau. In the same connection I may add that every department of the Government has shown a spirit of hearty cooperation whenever its aid has been sought in obtaining supplies for the Philippines. As mentioned in my last report, the Post-Office Department and the Government Printing Office incorporate in their annual contracts provisions for the purchase by this bureau of such supplies as may be required by the Philippine government. Valuable assistance has also been rendered by the Government Printing Office in the inspection of all paper purchased for the Philippines, thereby insuring, before shipment, that paper purchased will be satisfactory to the authorities there—a matter in which some difficulty had been experienced in the past.

The general receiver of Dominican customs similarly forwards requisitions to the bureau for such supplies as are needed by the receivership, and orders for these supplies are placed by the New York office and the accounts transmitted to the general receiver for settlement.

DISBURSEMENTS.

All disbursements of Philippine revenues in the United States are made by the disbursing agent of this bureau. The disbursements for the fiscal year totaled \$2,909,212.70, in payment of 3,987 accounts, and the disbursements from the inauguration of the disbursing office, May 20, 1901, to June 30, 1908, were \$33,122,806.80, in payment of 20,110 accounts.

COMMERCIAL STATISTICS.

A compilation of monthly reports of the foreign commerce of the Philippines for record and publication and the quarterly issue of the Summary of Philippine Commerce have been continued. In the latter a number of schedules of minor commercial importance have been merged and tables added giving in detail the trade of each country figuring to any extent in Philippine commerce. A change has also been made in the system of reporting imports, in order to supply this office with data under paragraphs of the tariff schedule as well as in the more general form heretofore received and published. The additional work involved will be more than compensated for by the resulting availability of the information for the study of the operation of the tariff laws and for meeting the wants of Congress in connection with their revision.

IMPORTS.

The imports, exclusive of gold and silver and United States Government supplies, for the fiscal years 1899–1908 were as follows:

| Fiscal year. | From— | | Total. |
|--------------|----------------|------------------|--------------|
| | United States. | Other countries. | |
| 1899 a..... | \$1,150,613 | \$11,962,397 | \$13,113,010 |
| 1900..... | 1,657,701 | 18,943,735 | 20,601,436 |
| 1901..... | 2,855,685 | 27,423,721 | 30,279,406 |
| 1902..... | 4,035,243 | 28,106,599 | 32,141,842 |
| 1903..... | 3,944,098 | 29,027,784 | 32,971,882 |
| 1904..... | 4,633,216 | 28,567,545 | 33,220,761 |
| 1905..... | 5,761,498 | 25,114,852 | 30,876,350 |
| 1906..... | 4,333,893 | 21,465,373 | 25,799,265 |
| 1907 b..... | 5,185,359 | 23,630,496 | 28,785,855 |
| 1908 b..... | 5,079,487 | 25,838,870 | 30,918,357 |

a August 20, 1898, to June 30, 1899.

b Figures exclude free-entry railway supplies.

The favorable showing made for 1908 by the increase shown by this table of \$2,132,502 over 1907 is modified by the fact that the increased importation of rice alone more than covers this total increase for the year. Rice imports, which steadily increased from a value of \$3,113,423 in 1900 to \$11,548,814 in 1904 and as steadily declined in succeeding years to \$3,662,493 in 1907, have in the year just closed, through exceptionally high prices obtaining, as well as increased quantities imported, reached a value of \$5,861,256. If these increased imports of rice, therefore, having a purely negative bearing on general import conditions, be excluded, it appears that the value of imports remained substantially the same in 1908 as in 1907.

The exceptionally heavy cotton trade of 1907 was not maintained, and the total of \$8,011,834 in 1908 was smaller by \$404,412 than in the previous year. Reduced values of imports were reported in all the large items of cloths, knit goods, and yarn and thread; offset to some extent by increases in cotton goods of minor importance. The iron and steel importation of 1907 was also abnormally large, and fell in value in 1908 \$380,273 short of the two and a half million dollar total of the previous year. A decrease of \$134,721 is shown also in the value of vegetable imports.

The opium trade of the islands, which in the earlier years averaged about three-quarters of a million dollars annually, in 1907, under the weight of prohibitive legislation, increased duty, and internal-revenue taxation, amounted to but \$513,287. In 1908 opium imports were reduced to \$143,670, all of which was admitted during the first half of the fiscal period. By Congressional action it became unlawful after March 1, 1908, to import opium into the Philippines, except by the Government and for medicinal purposes, and this large item of past years loses its prominence in the import trade.

Among items of increased import value in 1908 was fresh beef, which reached a total of \$479,557, practically doubling the figures of the previous year. Wheat flour was imported to the value of \$1,044,570, or an increase of \$155,396 over the trade of 1907. Boot and shoe imports increased from \$306,721 to \$451,421, while a somewhat smaller gain was made in the half-million dollar silk trade of 1908.

Imports from the United States amounted to \$5,079,487 in 1908, and were less by \$75,872 than in the previous fiscal period. In the cotton-cloth trade the encouraging figures of 1907 following the tariff legislation of February 26, 1906, were not maintained, and imports of American cloths which increased from a value of \$222,951 in 1906 to \$1,016,036 in 1907, declined to \$533,693 in 1908. Iron and steel imports from the United States suffered a shrinkage of \$63,583 coincident with the general decline in this trade, but in the rivalry of the United States and the United Kingdom in this field, American products took first place with imports to the value of \$800,753. Of the increased imports of wheat flour, the United States furnished almost the whole of the increase, but in spite of this gain Australian flour maintained its foremost place in the trade of the year. American boots and shoes were imported to the value of \$338,929, or \$117,911 more than in the previous year, and confirmed the supremacy already established in the insular market. In the illuminating-oil trade the position of the United States was also strengthened in 1908 at the expense of the Dutch East Indies, the only other contributor of importance.

EXPORTS.

The exports, exclusive of gold and silver, for the fiscal years 1899-1908 were as follows:

| Fiscal year. | To— | | Total. |
|-------------------------|----------------|------------------|--------------|
| | United States. | Other countries. | |
| 1899 ^a | \$3,540,894 | \$3,826,018 | \$12,366,912 |
| 1900..... | 3,522,160 | 16,228,908 | 19,751,068 |
| 1901..... | 2,572,021 | 20,642,927 | 23,214,948 |
| 1902..... | 7,661,743 | 16,285,936 | 23,947,679 |
| 1903..... | 13,863,059 | 19,256,840 | 33,119,899 |
| 1904..... | 11,102,775 | 19,147,852 | 30,250,627 |
| 1905..... | 15,668,026 | 16,684,589 | 32,352,615 |
| 1906..... | 11,579,411 | 20,337,728 | 31,917,139 |
| 1907..... | 12,079,204 | 21,634,153 | 33,713,357 |
| 1908..... | 10,323,233 | 22,493,334 | 32,816,567 |

^a August 20, 1898, to June 30, 1899.

The total exports for 1908 fell short by \$896,790 of their value in 1907. The ruling factor in this result was the steady decline in the price of hemp throughout the year; for though the volume of exported products was generally satisfactory, and in some cases—notably in sugar and copra—contributed largely to offset the reduced figures in hemp, the dominance of this industry in the islands' export trade prevented conditions otherwise generally favorable from counteracting the depression in the hemp market.

In quantity the hemp exports were 1,108 tons in excess of those of 1907, and amounted to 114,003 tons, valued at \$17,311,758. The average price of shipments during the first quarter of 1908 was \$168 per ton, declining to \$151 in the second quarter, \$146 in the third, and \$142 in the fourth, with an average price for the year of \$152, as compared with \$187 in 1907. This depreciation of \$35 per ton resulted in a loss of \$3,773,323 to the hemp industry in 1908, in spite of the increased quantity marketed as compared with 1907, and it is necessary to go back to 1902 to find an average price as low as that which ruled in the past year for this important product. Hemp exports found chiefly British and American markets as heretofore, but shipments to the United States declined, amounting to 48,043 tons, as compared with British purchases of 53,760 tons, and for the first time since the act of March 8, 1902, established direct shipments to the United States, fell below shipments to the United Kingdom.

The sugar trade for the year increased in volume, while the diminished world supply reacted favorably upon the price of the Philippine product as compared with the low figure that prevailed during 1907. Exports increased from 118,395 tons in 1907 to 149,323 tons, which, with the higher price, made an increase of \$1,730,206 in the value of the sugar trade of 1908. The total value of the exports was \$5,664,666, of which shipments to the United States amounted to \$2,036,697 as compared with \$234,074 in 1907.

The exceptionally high prices for copra in 1907 were not maintained, but the quantity marketed was so greatly increased that in spite of a material decline in prices copra exports reached a value of \$5,461,680, or \$1,408,487 in excess of 1907. France, as in previous years, was the leading purchaser, while Spain and Germany were in

the market to a minor extent. American interest in this product showed a further increase from the small beginnings of 1907, and exports to the United States advanced from a value of \$108,086 to \$228,565. Coconut oil, a product closely related to the copra industry, was also exported to the increased value of \$263,069, as compared with \$50,662, and took the foremost place among minor exports of the islands for the year.

In the tobacco trade for the year, cigar exports slightly exceeded the record of 1907 and amounted to \$1,084,196; but the leaf trade, reaching only \$1,581,623, fell short by \$375,865 of the total of 1907, while the value of cigarette exports declined from \$104,268 to \$38,345. In view, however, of the exceptional character of both the leaf and cigarette trade of 1907, it appears that these exports for 1908 were considerably above the average of previous years. As in the past, Philippine cigars found their chief market in the Orient, while Spain and Austria-Hungary took the bulk of the leaf. Of the million dollar exports of cigars, but \$21,781 worth found a market in the United States and no American shipments figured in the leaf trade.

Among minor exports of the islands, maguey failed to maintain its steadily increasing values of previous years, but ilang-ilang oil reached the unprecedented amount of \$181,638.

RECEIPTS AND EXPENDITURES.

The following statement of revenues and expenditures of the Philippine government, exclusive of all items of a refundable character, covers the period from the date of American occupation, August 18, 1898, to June 30, 1908:

REVENUES.

| Fiscal year ended June 30— | Insular. | Provincial. | City of Manila. | Total. |
|----------------------------|----------------|----------------|-----------------|----------------|
| 1899..... | \$3,558,682.83 | ..... | ..... | \$3,558,682.83 |
| 1900..... | 6,899,340.53 | ..... | ..... | 6,899,340.53 |
| 1901..... | 10,753,459.95 | ..... | ..... | 10,753,459.95 |
| 1902..... | 9,371,283.11 | \$2,008,480.88 | \$1,199,593.21 | 12,579,357.20 |
| 1903..... | 10,757,455.63 | 2,527,252.93 | 1,541,575.85 | 14,826,284.41 |
| 1904..... | 10,249,263.98 | 3,295,839.47 | 1,931,129.97 | 15,476,233.42 |
| 1905..... | 11,549,495.37 | 3,107,912.91 | 1,441,165.82 | 16,098,574.10 |
| 1906..... | 11,468,067.16 | 4,509,572.02 | 1,995,289.85 | 17,972,929.03 |
| 1907..... | 11,149,619.25 | 4,604,528.31 | 1,691,341.93 | 17,445,489.49 |
| 1908..... | 10,899,261.44 | 4,573,072.32 | 2,226,226.15 | 17,698,559.91 |
| Total..... | 96,655,929.25 | 24,626,658.84 | 12,026,322.78 | 133,308,910.87 |

EXPENDITURES.

| Fiscal year ended June 30— | Insular. | Provincial. | City of Manila. | Total. |
|----------------------------|----------------|----------------|-----------------|----------------|
| 1899..... | \$2,376,327.12 | ..... | ..... | \$2,376,327.12 |
| 1900..... | 4,758,793.66 | ..... | ..... | 4,758,793.66 |
| 1901..... | 6,451,528.37 | ..... | ..... | 6,451,528.37 |
| 1902..... | 8,189,404.59 | \$1,633,158.22 | \$622,294.81 | 10,444,857.62 |
| 1903..... | 10,249,533.40 | 1,981,261.22 | 1,177,611.67 | 13,408,406.29 |
| 1904..... | 11,122,562.38 | 2,339,826.10 | 1,578,303.50 | 15,040,691.98 |
| 1905..... | 12,248,857.33 | 1,474,320.43 | 2,574,102.78 | 16,297,280.54 |
| 1906..... | 10,146,779.12 | 4,335,091.32 | 2,492,392.23 | 16,974,262.67 |
| 1907..... | 8,408,012.84 | 4,736,038.20 | 1,560,801.40 | 14,704,852.44 |
| 1908..... | 11,469,785.64 | 4,367,407.82 | 1,897,858.36 | 17,735,051.82 |
| Total..... | 85,421,584.45 | 20,867,103.31 | 11,903,364.75 | 118,192,052.51 |

Receipts and expenditures for the fiscal year ended June 30, 1908.

AVAILABLE FOR ADMINISTRATIVE PURPOSES.

Amount of funds in the Philippine treasury on June 30, 1908, available for purely administrative purposes, exclusive of funds derived from refundable collections and bond issues..... \$6, 114, 842. 58

INSULAR.

Insular net revenues for the fiscal year ended June 30, 1908, excluding all items of a refundable character..... 10, 899, 261. 44
 Net ordinary insular expenditures, including interest on bond issues and contributions made to the city of Manila and to the provinces in lieu of land taxes, cancellation of loans to provinces, and contributions for provincial administrative purposes..... 11, 469, 785. 64
 Excess of insular expenditures over revenues..... 570, 524. 20

CITY OF MANILA.

Revenues collected by the city, inclusive of the amount contributed by the insular government under provisions of the charter of the city. 2, 226, 226. 15
 Ordinary expenditures of the city, including interest and sinking-fund charges on sewer and waterworks construction bonds 1, 897, 858. 36
 Excess of receipts over expenditures..... 328, 367. 79

OTHER DISBURSEMENTS.

In addition to the above, disbursements were made from the Congressional relief fund for insular purposes, amounting to \$138,476.60. Disbursements were also made under funds which may be designated bond issues, as follows:

Public works and permanent improvement fund..... \$458, 959. 32
 Manila sewer and waterworks construction fund..... 1, 117, 774. 01

FILIPINO STUDENTS IN THE UNITED STATES.

At the date of the last annual report, October 31, 1907, 123 Filipino students were being educated in the United States at the expense of the Philippine government, and one student, under the direction of the bureau, was being educated at his own expense. These students were attending institutions as shown in the following list:

| | | | |
|--------------------------------|---|-----------------------------------|----|
| Boulder, Colo.: | | De Kalb, Ill.: | |
| University of Colorado..... | 1 | Northern Illinois State Normal | |
| New Haven, Conn.: | | School..... | 2 |
| Yale University..... | 1 | Macomb, Ill.: | |
| District of Columbia: | | State Normal School..... | 6 |
| Georgetown University..... | 1 | Normal, Ill.: | |
| George Washington University.. | 1 | State Normal School..... | 1 |
| Chicago, Ill.: | | Urbana, Ill.: | |
| University of Chicago..... | 3 | University of Illinois..... | 10 |
| Rush Medical College..... | 2 | Bloomington, Ind.: | |
| College of Physicians and Sur- | | Indiana University..... | 3 |
| geons..... | 7 | Lafayette, Ind.: | |
| Lewis Institute..... | 1 | Purdue University..... | 11 |
| Armour Institute..... | 2 | Notre Dame, Ind.: | |
| Northwestern University Law | | St. Mary's Academy..... | 2 |
| School..... | 1 | Ames, Iowa: | |
| Northwestern University School | | State College of Agriculture..... | 6 |
| of Pharmacy..... | 1 | Iowa City, Iowa: | |
| Northwestern University Medi- | | University of Iowa..... | 4 |
| cal School..... | 2 | | |

| | | | |
|-----------------------------------|---|---------------------------------|---|
| Manhattan, Kans.: | | Trenton, N. J.: | |
| State College of Agriculture..... | 7 | State Normal School..... | 1 |
| Boston, Mass.: | | Ithaca, N. Y.: | |
| Massachusetts Institute of Tech- | | Cornell University..... | 9 |
| nology..... | 1 | Columbus, Ohio: | |
| Lowell, Mass.: | | Ohio State University..... | 8 |
| Lowell Textile School..... | 1 | Philadelphia, Pa.: | |
| Lansing, Mich.: | | University of Pennsylvania..... | 2 |
| State Agricultural College..... | 2 | Drexel Institute..... | 3 |
| St. Paul, Minn.: | | Woman's Medical College..... | 2 |
| College of St. Catherine..... | 2 | Providence, R. I.: | |
| St. Louis, Mo.: | | Providence Technical High | |
| St. Louis University..... | 1 | School..... | 1 |
| Lincoln, Nebr.: | | Madison, Wis.: | |
| University of Nebraska..... | 6 | University of Wisconsin..... | 9 |

The courses followed were as follows:

| | | | |
|-----------------------------|----|-------------------------|----|
| Agriculture..... | 21 | Medicine..... | 17 |
| Architecture..... | 2 | Normal (teaching)..... | 17 |
| Chemistry..... | 2 | Pharmacy..... | 1 |
| Civil engineering..... | 35 | Science..... | 3 |
| Electrical engineering..... | 1 | Textile weaving..... | 1 |
| Mechanical engineering..... | 12 | Mining engineering..... | 1 |
| Law..... | 10 | | |

During the year covered by this report, 52 students have returned to the islands. Of these, 1 was sent back on account of ill-health, 3 were returned for misconduct, and 2 because of failure in their studies. The majority of the students returned received degrees or diplomas from the schools where in attendance, and included, in addition to graduates of normal schools, graduates in medicine, law, civil engineering, and agriculture.

Five new appointees have arrived from the islands during the same period and 3 appointments have been made from students already in the United States. One student has been allowed an additional year at his own expense to finish his course in civil engineering, a second has been allowed to remain a year at his own expense on account of his health, and one has been appointed a clerk in this bureau. At this time, therefore, 77 students are undergoing instruction at the expense of the Philippine government.

The past summer, because of the industrial depression, was not favorable for obtaining employment, and the majority of the students in consequence spent their time in summer schools.

The health of the students has been very good throughout, and the attitude of the governing authorities of the institutions where they are in attendance and the relations between the Filipinos and the other students have continued to be most cordial.

The work of these students has been, on an average, very good, and in one or two cases of an exceptionally high order. The value of the movement as a whole to the Philippine government and people must still be left to the future to disclose, but every sign points to its immense importance.

PROVISIONAL GOVERNMENT OF CUBA.

The conduct of affairs requiring action in the United States for the provisional government of Cuba has continued in this bureau. Peace and order have been maintained in the island throughout the year, and at this writing preparations are practically completed for the legislative and executive elections to be held on November 14. Every sign now points to a cheerful acceptance by the Cuban people of the result.

Monthly reports have continued to be received of the extraordinary expenses due to the intervention, which, under the act of Congress approved March 4, 1907, are to be reimbursed from the Cuban treasury. A statement of these expenditures, which belong wholly to the military occupation, from the date of the second intervention to June 30, 1908, follows. The amount paid during the same period from Cuban funds on account of the intervention is also shown. These latter expenditures are made from funds allotted by the provisional government from time to time for expenditures of the Army due directly to its service in Cuba.

Statement of extraordinary expenditures on account of the army of pacification in Cuba.

| | Oct. 1, 1906, to June 30, 1907. | July 1, 1907, to June 30, 1908. | Total. |
|--|------------------------------------|------------------------------------|--------------|
| Military Information Division, U. S. Army..... | \$4,906.28 | \$10,095.72 | \$15,002.00 |
| Signal Corps, U. S. Army..... | 94,892.98 | 7,621.95 | 102,514.93 |
| Engineer Department, U. S. Army..... | 17,849.79 | 11,675.99 | 29,525.78 |
| Medical Department, U. S. Army..... | 88,839.02 | 34,723.90 | 123,562.92 |
| Commissary Department, U. S. Army..... | 171,134.14 | 207,816.17 | 378,950.31 |
| Quartermaster Department, U. S. Army..... | 2,656,471.27 | 1,312,612.64 | 3,969,083.91 |
| Ordnance Department, U. S. Army..... | 3,838.09 | 10,870.79 | 14,698.88 |
| Paymaster Department, U. S. Army..... | 255,450.76 | 251,065.36 | 506,516.12 |
| Judge-Advocate-General, U. S. Army, law books..... | 444.10 | | 444.10 |
| Paymaster Department, U. S. Marine Corps..... | 41,072.83 | 45,819.85 | 86,892.68 |
| Quartermaster Department, U. S. Marine Corps..... | 41,835.87 | 42,794.52 | 84,630.39 |
| Total..... | 3,376,735.13 | 1,935,086.89 | 5,311,822.02 |

Expenditures of the Republic of Cuba on account of American intervention, October 1, 1906, to June 30, 1908.

| | |
|---|--------------|
| Amount advanced by Republic of Cuba..... | \$757,343.92 |
| Expenditures: | |
| Barracks and quarters..... | \$692,286.08 |
| Target field..... | 12,890.13 |
| Salary of provisional governor..... | 14,333.28 |
| Printing and miscellaneous expenses..... | 6,369.12 |
| Roads..... | 899.81 |
| Amount in hands of disbursing officers..... | 30,565.50 |
| Total..... | 757,343.92 |

SETTLEMENT OF THE DOMINICAN DEBT.

In accordance with the convention of February 8, 1907, proclaimed by the President July 25, 1907, the terms of which were set forth in my last report, the Dominican Republic proposed to pay its debts, as adjusted, 20 per cent in cash and 80 per cent in 5 per cent customs administration sinking-fund gold bonds of the Republic, to be taken at 98½ per cent of their face value. The proposition having been accepted by sufficient of the creditors to insure its success, interim certificates representing \$20,000,000 of 5 per cent bonds were issued as of February 1, 1908, and delivered to the Morton Trust Company, of New York, which, by agreements with the Dominican Republic dated January 27, 1908, was appointed fiscal agent for the loan and depositary for funds of the Republic. Orders in favor of creditors of the Republic are drawn by its minister of finance against the Morton Trust Company, as depositary, directing payment of cash and of new bonds of the Republic, in accord with the plan of adjustment, upon surrender to the depositary of the old bonds or other evidences of indebtedness held by the creditors. These orders, after approval by the Department of State of the United States, are registered in this bureau as having been drawn in accordance with the convention of February 8, 1907, and then are paid by the depositary when the conditions prescribed therein have been complied with by the creditors. The depositary is required forthwith to cancel all old bonds, notes, etc., surrendered to it and to transmit them with its accounts to the minister of finance of the Republic.

To September 30, 1908, the depositary had paid out, in connection with the old debt of the Republic, \$3,065,735.75 in cash and \$12,777,350 in the new bonds. As the convention of February 8, 1907, estimated that the debt of the Republic as adjusted would be about \$17,000,000, there were on September 30, 1908, old claims outstanding which, when adjusted, will amount to approximately \$2,000,000, to meet which the depositary had on hand at that date \$1,178,571.64 in cash and \$7,222,650 in new bonds.

The convention provides that when all the old debt has been liquidated the balance of cash and of new bonds remaining with the depositary shall be applied first to the retirement and extinction of certain concessions and harbor monopolies which are a burden and hindrance to the commerce of the Republic, and, second, to the construction of certain railroads and bridges and other public improvements necessary to its industrial development.

The Morton Trust Company, as fiscal agent for the new \$20,000,000 loan, also acts as transfer agent and registrar of the loan and makes interest disbursements. It receives from the general receiver of Dominican customs \$100,000 monthly, which, after paying interest, leaves \$200,000 annually for the sinking fund; and in the event that the customs revenues collected in any calendar year exceed \$3,000,000, the fiscal agent is to further receive for the sinking fund one-half of such excess.

Statement by fiscal years of the customs service of the Republic of Santo Domingo, under the operation of the "Modus vivendi" and the convention of February 8, 1907, from April 1, 1905, to June 30, 1908.

| | Apr. 1, 1905, to June 30, 1905. | July 1, 1905, to June 30, 1906. | July 1, 1906, to June 30, 1907. | July 1, 1907, to June 30, 1908. | Total. |
|---|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------|
| DEBITS. | | | | | |
| Expenditures: | | | | | |
| Interest and exchange, S. Michelená..... | \$2,186.17 | \$5,405.54 | \$11,563.96 | \$12,185.71 | \$31,341.38 |
| Salaries and expenses at all ports..... | 13,454.97 | 70,199.47 | 72,478.23 | 79,963.42 | 236,096.09 |
| Salaries and expenses, office of receiver and general comptroller..... | 7,427.88 | 34,138.94 | 37,683.06 | 43,007.80 | 122,257.68 |
| Expenses of customs and frontier guard..... | | 32,870.66 | 58,093.22 | 46,643.67 | 137,607.55 |
| Expenses of revenue-cutter service..... | | 1,065.68 | 42,012.96 | 41,057.50 | 84,136.14 |
| Cost of revenue cutters..... | | 18,680.00 | 38,517.50 | | 57,197.50 |
| Cost of custom-house at El Fonda..... | | | 3,046.80 | 696.12 | 3,742.92 |
| Property and supplies, general service..... | | | | 215.50 | 215.50 |
| Expenditures from internal revenues: | | | | | |
| Ramona - Seybo - Macoris Railway..... | | 5,935.06 | 28,127.19 | 15,554.79 | 49,617.04 |
| Mona-Monte Cristi Railway..... | | | 56,770.45 | 25,924.68 | 82,695.13 |
| Refunds of customs collections: | | | | | |
| Refund of personal fees and concessions..... | 8,462.78 | 54,911.08 | 64,728.94 | 59,338.51 | 187,441.31 |
| Refund of excess duties..... | | 3,897.10 | 9,172.57 | 9,682.42 | 22,752.09 |
| Available for distribution: | | | | | |
| Fiscal agency account ^a | 254,158.79 | 1,287,158.73 | 1,481,045.12 | 1,630,487.76 | 4,652,850.40 |
| Balance due Republic of Santo Domingo from 45 per cent fund..... | | | | 81,120.81 | 81,120.81 |
| Guaranty fund for construction of railroads (derived from internal - revenue fund)..... | | | 22,708.17 | 10,369.87 | 33,078.04 |
| Payments: | | | | | |
| Paid Dominican Government, account internal revenue balance..... | | | | 9,105.52 | 9,105.52 |
| Jimani affair..... | | | | 655.15 | 655.15 |
| Republic of Santo Domingo. Remittance under "award"..... | 143,882.02 | 1,216,428.73 | 1,345,757.46 | 1,463,217.61 | 4,169,285.82 |
| Bills payable..... | 2,751.43 | | | | 2,751.43 |
| Morris indemnity..... | 8,167.96 | 5,300.00 | | | 8,167.96 |
| Las Matas affair..... | | | 1,126.85 | | 5,300.00 |
| Milburn settlement..... | | | 5,000.00 | | 1,126.85 |
| Total..... | 440,492.00 | 2,735,990.99 | 3,277,832.48 | 3,529,226.84 | 9,983,542.31 |
| CREDITS. | | | | | |
| Gross customs collections..... | 523,880.12 | 2,712,821.55 | 3,300,392.44 | 3,446,448.20 | 9,983,542.31 |

^a Transferred from sinking-fund account to the fiscal-agency account on December 31, 1907.

LAW OFFICER.

The steadily widening activities in the Philippines, added to the administrative control of Cuba during the year, have continued to give rise to many matters involving important questions of law, and have made the demands upon the law officer of the bureau constant and serious.

CIVIL OFFICIALS IN THE PHILIPPINES.

It has long been evident to the chief of this bureau that some inducement in addition to the salaries should be offered to appointees in the insular service if the high standard of officials required is to be maintained.

Service in the Philippine Islands, however attractive the duties of the office, has serious drawbacks to the American. Few of the best officials after a few years' service in the islands can seriously contemplate an indefinite stay there. The reasons for this require no explanation.

Insular officials after years of absence from the United States find themselves at great disadvantage on their return. Far from benefiting from an honorable and trying service, they find that they can not take up again their professions or occupations at home where they left off on entering the Philippine service.

This office has devoted itself increasingly to seeking a remedy to some extent for this condition. Effort has been made with considerable success, thanks to the cooperation of the Civil Service Commission, to place returning Philippine employees in the United States service at home, but at best this remedy applies but irregularly and to certain classes of employees. The bureau therefore became convinced that the only remedy lies in placing the faithful employee after a number of years of foreign service in a pension or retired status.

Having arrived at this conclusion, there were still many difficulties in the way of its application, the removal of which required considerable study. It was clear that since the Philippines receive the advantage of this service such pensions or retired pay should be paid from the revenues of the islands. The reward must be commensurate with the service rendered and well within the power of the islands to pay without serious effort. With these principles in mind, in 1907 the chief of the bureau urged the enactment by the Philippine Commission of an act to accomplish the objects in view, and submitted as representing his views the following draft of an act:

An Act Providing for the retirement of certain civil employees of the Philippine government on part pay after ten or more years satisfactory service.

By authority of the United States, be it enacted by the Philippine Commission that: SECTION 1. When any officer of the Philippine government shall have had ten or more years of continuous, actual, and satisfactory service he may, upon making application thereafter, be retired from active service, and when so retired he shall receive, for a number of years equal to the number of years of such satisfactory service, compensation equal to two and one-half per centum for each year's active service rendered by him, of the average current pay received annually by him during said period of active service: *Provided*, That the terms of this act shall apply only to officers receiving for ten or more years at the time of retirement an annual salary of not less than six thousand pesos: *And provided further*, That the terms of this act shall apply only to citizens of the United States.

The chief of the bureau convinced himself by personal interviews that this act met the approval of practically every prominent official of the Philippine government. There was, however, one difficulty. While the chief of this bureau, pecuniarily disinterested, might with propriety urge this legislation, there was a delicacy on the part of the commission restraining them from the enactment of a law with no American precedent and of which they were naturally to be among the principal beneficiaries.

It is for the foregoing reason and the urgent necessity of the action proposed that I recommend that Congress be asked to enact a law of the nature indicated. The required expenditures would be made from Philippine revenues and would never exceed \$100,000 a year.

While this is hardly the place to explain the limitations of the proposed act, it is thought that every point is susceptible of a simple and satisfactory explanation.

PERSONNEL.**OFFICERS.**

The act of Congress of March 2, 1907, provided for the detail of an officer of the army as assistant to the chief of the bureau, with the rank of major. This provision gave legal permanency to a place theretofore filled, through necessity, temporarily by the detail of an officer on detached service from the line of the army. This act served, therefore, for a time to relieve the line of so much of the burden of detached duty as was chargeable to this bureau, and, through the detail of a captain to the vacancy thus created, enabled the additional rank to serve as a suitable reward for the additional labor inseparable from the office; but since it gave only permanency to a position already temporarily filled, it did not serve actually to increase the working strength of the bureau. The attainment of his majority, through regular promotion in the line, moreover, has recently made necessary the relief of the officer first detailed and the appointment of his successor, and directed attention to the periodical crippling of the bureau that must occur whenever the legally detailed assistant is relieved, provided no trained successor be available.

The provision for the exercise of the higher responsibilities of the bureau by officers of the army is, I believe, a wise one, not only because of their training but through their familiarity both with the administrative methods of the department and with the field of the bureau's labors. The bureau has, I believe, moreover, been fortunate in all of the selections so far made for duty therewith. Nevertheless, much of its work presents not only a mass of detail wholly outside of a military character but problems of a nature that only experience with similar problems, as well as superior individual ability, can assure correct solutions. In the present case the difficulty presented has been met temporarily under your direction through the continuance for the present on detached duty in the bureau of the officer relieved from detail under the act of 1907. But aside from the embarrassment that might have been incident merely to a change this course has been rendered necessary by the increasing volume of work flowing through the bureau. Moreover, with a constantly widening field of activities in the possessions under the administrative control of the bureau, this volume of work is not likely ever to decrease. For both these reasons, therefore, it would seem in the interests of efficiency to make legal provision for two assistants in the bureau. It is perhaps unnecessary to add that the nature of the work is such, of course, that with the limited personnel of the bureau only officers of considerable experience and known judgment can properly be charged with responsibilities affecting so many important interests; and if, therefore, as is hoped, an additional assistant can be authorized, this consideration will require provision for the accompaniment of suitable rank, such as colonel, to insure securing both the experience and qualities of mind necessary.

CLERKS.

Pursuant to the approval of the recommendation contained in my report of last year, 14 clerkships of the \$900 class were discontinued July 1, 1908, and the civilian force since that date has consisted of 71 employees, with salaries aggregating \$87,400.

With the increased activities in all the insular possessions and the additional duties falling upon the bureau, its work is steadily increasing, and with this limited force it has been difficult at times to keep the work up to date and at the same time give to employees the leave authorized by law. To insure both these results, indeed, considerable overtime work has been required during the year. To meet this condition the bureau estimates for the succeeding year, as originally submitted, included an increase in the total number of employees to 77, and in the total of the salaries to \$98,690, which latter covered also a proposed increase in the salary of a few employees, including the chief clerk and chiefs of divisions. These estimates, however, were returned with instructions not to exceed the present appropriation, and they were accordingly submitted anew without these needed changes. It should require no argument to show that the present salaries of departmental employees, fixed almost sixty years ago, can not be expected to meet present conditions, with the increase in cost of living that has occurred during the past few years. Congress has recognized this increased and increasing cost of living by liberal additions to the salaries in other branches of the Government, and it would seem only just that corresponding liberality should be shown in the cases under consideration.

Again, while some plan for the ultimate retirement with some proportional part of their pay of civil-service employees who devote the best years of their lives to the Government appears necessary to the maintenance of efficiency in the service, it can not appear wholly just to draw largely on the present limited salaries of these employees to establish the fund necessary for this purpose.

During the past year 10 clerks have left the bureau by transfer or resignation, and 2 are still with the provisional government of Cuba.

In general efficiency the office force of the bureau is believed to compare more than favorably with the average, and considering the quantity as well as the variety of work involved and the results accomplished, there remains almost without exception only high commendation for all.

Respectfully submitted.

CLARENCE R. EDWARDS,
Brigadier-General, U. S. Army, Chief of Bureau.

THE SECRETARY OF WAR.

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